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Oil Situation Report No. 10 from State Dept
Operations Center.

(OC/T: Please transmit the attached Situation Report
No. 10 of the Oil Task Force to the above
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EXDIS

OIL SITUATION REPORT NO. 10 FROM STATE DEPT
OPERATIONS CENTER.

SITUATION REPORT NO. 10 AS OF 1500 HOURS EST, JANUARY 23, 1971

I. UNDER SECRETARY IRWIN'S MISSION

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UNDER SECRETARY IRWIN ARRIVED IN WASHINGTON AT 1500 ON JANUARY 23. ON JANUARY 22, THE UNDER SECRETARY SPOKE WITH PRIME MINISTER MOUIRA OF TUNISIA. THE UNDER SECRETARY DESCRIBED HIS RECENT DISCUSSIONS IN THE GULF STATES, AND MOUIRA

2. AKINS-- COMPANY DISCUSSIONS IN LONDON

MR. AKINS OF STATE (FSE), WHO ACCOMPANIED UNDER SECRETARY IRWIN ON HIS TRIP, MET WITH INDUSTRY REPRESENTATIVES IN LONDON ON THE MORNING OF JANUARY 22. HE SUMMARIZED TO THEM THE RESULTS OF THE UNDER SECRETARY'S DISCUSSIONS WITH THE RESPECTIVE HEADS OF STATE IN TEHRAN, RIYADH, AND KUWAIT. MR. AKINS RELAYED THESE RULERS' ASSURANCES THAT ANY AGREEMENT REACHED IN THE GULF WOULD BE BINDING FOR THE LIFE OF THE AGREEMENT, WHATEVER THE EVENTUAL TERMS OF SETTLEMENT IN LIBYA. THESE HEAD-OF-STATE ASSURANCES TO A U.S. PRESIDENTIAL ENVOY WERE POINTED OUT TO BE SINGULARLY SIGNIFICANT.

3. THE EASTERN FRONT- DEVELOPMENTS IN TEHRAN

THE SHAH OF IRAN WILL HOLD A PRESS CONFERENCE ON THE MORNING OF JANUARY 24. HIS REMARKS WILL REPORTEDLY NOT DEPART DRAMATICALLY FROM THE IRANIAN (OR GULF STATES) POSITION AS PRESENTED TO UNDER SECRETARY IRWIN, AS AMPLIFIED BY RECENT DISCUSSIONS WITH THE COMPANIES. INDUSTRY REPRESENTATIVES DEPARTED FOR LONDON ON THE MORNING OF JANUARY 22, AFTER RECEIVING A LETTER FROM AMOUZEGAR DESCRIBING THE GULF STATES' POSITION. THE LETTER ACCEPTED, SUBJECT TO THE SAME RESTRICTIONS CONVEYED BY AMOUZEGAR IN PREVIOUS DISCUSSIONS, POSTPONEMENT OF FURTHER COMPANY-GULF STATES NEGOTIATIONS UNTIL JANUARY 28 AT 9:00 A.M. COMPANY EXPERTS ARRIVED IN TEHRAN ON JANUARY 22 TO BEGIN DETAILED STATISTICAL DISCUSSIONS WITH GULF OPEC REPRESENTATIVES. AMOUZEGAR HAS STATED THAT THE GOI WOULD NOT OBJECT TO CONCURRENT NEGOTIATIONS, PROVIDED THAT THE CONCLUSION AND SIGNING OF GULF NEGOTIATIONS IS NOT DEPENDENT UPON A SUCCESSFUL SETTLEMENT WITH LIBYA OR ALGERIA. AMOUZEGAR ASSESSED THE RAMIFICATIONS OF ALTERNATIVE INDUSTRY APPROACHES AND STATED THAT, IN THE EVENT

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THAT A SUCCESSFUL GULF AGREEMENT WERE CONCLUDED IN THE ABSENCE OF AN INDUS RY SETTLEMENT WITH LIBYA, IRAN WOULD PUBLICLY DISSOCIATE ITSELF FROM THE EXTREME POSITIONS OF LIBYA AND ALGERIA.

ALTHOUGH GOI DEMANDS FOR FORTHCOMING DISCUSSIONS WITH INDUSTRY REPRESENTATIVES ON JANUARY 28 REMAIN UNCHANGED, OUR EMBASSY IN TEHRAN BELIEVES THAT THE FEBRUARY-1 DEADLINE FOR REACHING AN AGREEMENT COULD BE POSTPONED IF SUBSTANTIVE NEGOTIATIONS WERE TO COMMENCE AND TO PROGRESS.

4. THE WESTERN FRONT - LIBYA

GOERNER OF ESSO DELIVERED THE INDUSTRY'S JANUARY 21 LETTER TO THE LARG ON THE MORNING OF JANUARY 23. NO CHANGE IN THE LIBYAN POSITION WAS NOTED. OCCIDENTAL AND HUNT ARE STILL SCHEDULED FOR A NOON MEETING ON JANUARY 24 WITH THE LARG. PETROLEUM MINISTER MABRUK IS SCHEDULED TO DEPART FOR TEHRAN ON JANUARY 24, PRESUMABLY AFTER THE MEETING.

THE DEPARTMENT IS CONSIDERING OPTIONS SHOULD A FINAL LIBYAN REFUSAL OF CONCURRENT DISCUSSIONS OCCUR AS EXPECTED.

5. OECD COUNTRIES AND VENEZUELA

OUR EMBASSY IN PARIS BELIEVES THAT THE WAY NOW SEEMS OPEN FOR A CLOSER RELATIONSHIP BETWEEN FRANCE AND THE USG ON PETROLEUM MATTERS.

ENI WILL NOT ATTEND THE JOINT COMPANY MEETING IN LONDON ON JANUARY 24, BUT ARABIAN OIL (JAPANESE) IS SENDING REPRESENTATIVES AND MAY SIGN THE INDUSTRY STATEMENT. A JAPANESE TRADE DELEGATION VISITED TRIPOLI ON JANUARY 13-21; THE VISIT HAD BEEN PREVIOUSLY ARRANGED AND IS NOT REGARDED AS HAVING ANY CLEAR RELATIONSHIP

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WITH THE PRESENT OIL CRISIS.

PRESIDENT CALDERA OF VENEZUELA HAS ADVOCATED THAT OIL PRODUCING COUNTRIES DEAL PRINCIPALLY WITH CONSUMER GOVERNMENTS ON OIL MATTERS.

6. INDUSTRY DELIBERATIONS

INDUSTRY REPRESENTATIVES, AND POSSIBLY COMPANY HEADS, WILL MEET IN LONDON ON JANUARY 24. THE COMPANIES TO DATE HAVE NOT CHANGED THEIR APPROACH TO CONCURRENT NEGOTIATIONS, I.E., THAT SEPARATE BUT CONNECTED NEGOTIATIONS TAKE PLACE AND THAT FINAL SETTLEMENT WITH BOTH MEDITERRANEAN AND GULF COUNTRIES REFLECT A COMMON DENOMINATOR. THE COMPANIES CONSIDER IT ESSENTIAL THAT INDUSTRY UNITY BE MAINTAINED IN LIBYA, THAT A LIBYAN SETTLEMENT NOT PRECEDE A GULF AGREEMENT, AND THAT THE GULF STATES BE PREPARED TO ACCEPT EXPANDED PRODUCTION IF LIBYA CUTS BACK. IN ADDITION, THEY HAVE SERIOUS PROBLEMS CONCERNING AMOUZEGAR'S LETTER (SEE ITEM 3). THE CONSENSUS APPEARS TO BE THAT THE INDUSTRY'S REPLY SHOULD BE PRO-FORMA, SAYING ONLY THAT THE INDUSTRY TEAM WOULD, ON JANUARY 28, DISCUSS THE ISSUES RAISED IN THE LETTER. THE FINAL DECISION ON THE RESPONSE TO THE LETTER AND FURTHER DISCUSSIONS ON INDUSTRY PROPOSALS TO BE MADE IN TEHRAN AND PROBABLY TRIPOLI WILL TAKE PLACE IN THE INDUSTRY MEETINGS SUNDAY AND MONDAY.

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